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BEFORE THE ARIZONA CORPORATION CC

COMMISSIONERS

DOUG LITTLE— Chairman
BOB STUMP
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TOM FORESE
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AZ CORP COMMISSION
DOCKET CONTROL

DOCKET NO. E-01345A-11-0224

IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY
FOR A HEARING TO DETERMINE THE
FAIR VALUE OF THE UTILITY PROPERTY
OF THE COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN
THEREON, AND TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

**STAFF'S RESPONSE TO THE ENERGY
FREEDOM COALITION OF AMERICA'S
MOTION FOR PROCEDURAL
CONFERENCE**

I. Introduction.

On January 15, 2016, Arizona Public Service Company ("APS" or "Company") filed an application for approval of an adjustment to its Lost Fixed Cost Recovery Mechanism ("LFCR") as provided in Decision No. 73183. The Energy Freedom Coalition of America ("EFCA") filed a Motion requesting that the Commission stay further processing of APS's application until the Arizona Supreme Court concludes its review of the issues raised in the *RUCO* case¹ now before it. EFCA also requests that the Commission hold a hearing on the factual and legal issues identified in its February 24, 2016 filing.

Staff opposes EFCA's request for a stay of APS's application. Unlike the SIB, the LFCR is a rate design mechanism. Staff also believes that EFCA's request for a hearing is unwarranted because the alleged factual issues EFCA identifies seem more conducive to resolution through discovery than a full blown evidentiary hearing.

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Arizona Corporation Commission

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¹ See *Residential Utility Consumer Office v. Arizona Corporation Commission*, 238 Ariz. 8, 355 P.3d 610 (App. 2015), review granted February 9, 2016 ("*RUCO*").

1 **II. Discussion.**

2 The LFCR mechanism is a rate design mechanism developed to ensure that the Company
3 recovers a portion of its authorized fixed costs which it would otherwise not recover because of
4 certain Commission policies which have the effect of lowering kWh consumption by customers, i.e.,
5 DG and EE. It does not implicate fair value considerations because it is a type of rate design
6 mechanism intended to assist in the recovery of a previously authorized revenue requirement. There
7 are also strict limits on the amount that is subject to the mechanism each year. The SIB, on the other
8 hand, is a step increase mechanism in which a Company can obtain rate recognition of a narrowly
9 defined category of replacement plant between rate cases in order to maintain adequate and reliable
10 service to existing customers. The fact that the LFCR is a rate design apparatus sets it apart and
11 outside of the *RUCO* case, in Staff's opinion. Therefore, to stay further processing of APS's
12 application is unwarranted.

13 In its motion, EFCA has also identified several factual issues which it claims are in dispute,
14 and in need of a hearing, including a) what documentation is required to justify approval of the LFCR
15 increase, b) is APS's calculation used in support of its Application accurate, and c) how much money
16 has been collected to date under the LFCR. EFCA states that there may be other issues as well that
17 would be appropriate to explore in a hearing; but no additional factual issues have been identified to-
18 date.

19 Staff believes that the alleged factual issues raised by EFCA are conducive to resolution
20 through means other than a full blown evidentiary hearing. It would be helpful to Staff for EFCA to
21 respond to these comments and demonstrate why a hearing is necessary on the factual issues raised as
22 opposed to further discovery.² Staff does not oppose a procedural conference to discuss the EFCA's
23 alleged factual issues, but believes the ALJ would have a better basis for a decision if EFCA first
24 used other means available to resolve its issues, if it has not, including discovery and then presented

25 ...

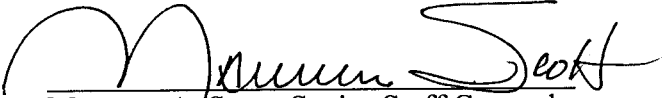
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² Staff has submitted a data request to the Company regarding this matter.

1 its case to the ALJ. A response by EFCA to Staff's comments would be helpful to Staff in making
2 any further recommendations on EFCA's requests.

3 RESPECTFULLY SUBMITTED this 7th day of March 2016.

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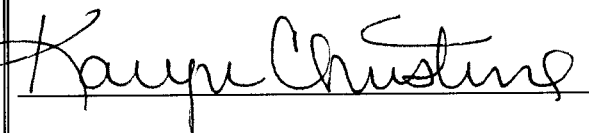
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